

Message Text

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ACTION ARA-10

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E.O. 11652: N/A

TAGS: EINV, EMIN, HO

SUBJECT: ROSARIO RESOURCES CORPORATION (RRC) NEGOTIATIONS

REF: TEGUCIGALPA 0186

1. ECOM OFFICER DISCUSSED WITH RRC ITS PROGRESS IN DISCUSSIONS WITH GOH ON TAX PROBLEM. COMPANY HAS PRESENTED ITS POSITION TO VARIOUS MINISTERS WITH LIMITED RESULTS.
2. MINISTER OF ECONOMY VICENTE DIAS LISTENED WITH INTEREST BUT DIDN'T UNDERTAKE ANY ACTION. MINISTER OF NATURAL RESOURCES RAFAEL CALLEJAS STATED HE WAS NOT QUALIFIED TO UNDERSTAND COMPANY DATA PRESENTED TO HIM AND INDICATED THAT SOME "NON-HONDURAS" EXPERT MIGHT BE CALLED IN. MINISTER OF PUBLIC FINANCE AND TREASURY PORFILLO ZAVALA STATED IN A MEETING WHICH MINISTER CALLEJAS ATTENDED FOR 15 MINUTES THAT PROBABLY A MISTAKE HAD BEEN MADE IN DRAFTING THE TAX DECREE. HOWEVER, HE WAS ADAMANT THAT A FORMULA BE DEVISED THAT WILL TAKE 70 PERCENT OF COMPANY GROSS RETURNS.
3. RRC ALSO MADE ITS PRESENTATION TO THE PRESIDENT OF THE CENTRAL BANK, GUILLERMO BUESO, WHO WXPRESSED DEEP CONCERN AND UNDERTOOK TO ANALYZE DATA AND REFER THE PROBLEM TO "OTHER PEOPLE."
4. COMPANY HAS SUBMITTED PROPOSAL WHICH PARTIALLY INCORPORATES PROVISIONS OF DECEMBER TAX LAW BUT PERMITS HIGH RATE OF DEPRECIATION.

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THIS IS TO BE EXAMINED BY TREASURY TAX STAFF. END RESULT OF

COMPANY PROPOSAL IS A NEAR 50/50 SPLIT ON PROFITS, NOT GROSS RETURNS. TREASURY RESPONSE EXPECTED LATTER PART OF WEEK OF JANUARY 19.

COMMENT: RRC CONFIRMS THAT NEARLY A DOZEN MINING COMPANIES EXPLORING IN HONDURAS HAVE PACKED UP AND LEFT. THIS LEAVES ONLY A FEW. TO EMBASSY'S SURPRISE, RRC STATES THAT MINISTER OF NATURAL RESOURCES CALLEJAS RESPONDED WITH INDIFFERENCE TO THIS NEWS.
SANCHEZ

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